Before the

FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
Petition of ACS of Anchorage, Inc. Pursuant to	)	
Section 10 of the Communications Act of 1934, as	)	WC Docket No. _____
amended, for Forbearance from Sections 251(c)(3)	)	
and 252(d)(1) in the Anchorage LEC Study Area	)	
	)	

STATEMENT OF DAVID C. BLESSING IN SUPPORT OF PETITION OF ACS OF ANCHORAGE, INC. FOR FORBEARANCE FROM SECTIONS 251(C)(3) AND 252(D)(1)

Qualifications

I am a principal in the consulting firm of Parrish, Blessing & Associates, Inc. I have over sixteen years of experience in the area of telecommunications regulation and economic analysis beginning with various managerial positions at Rochester Telephone Company in Rochester New York. For the last twelve years I have been a principal in my current firm. During this period I have represented telephone companies in a number of regulatory proceedings before the Federal Communications Commission ("FCC") and state regulatory commissions in Alaska, Arkansas, Georgia, Kansas, Kentucky, Missouri, Nebraska, New York, Ohio, Pennsylvania, Texas and Puerto Rico. I have presented and defended analyses and testimony before regulatory commissions and government officials in the United States and abroad. My professional background also includes an appointment to the faculty of Nazareth College of Rochester, where I taught courses in economics and finance. I hold a Baccalaureate of Arts from Kalamazoo College and a Master of Arts in Economics from Fordham University. In addition, I have successfully completed all required course work and comprehensive exams

for my doctorate in economics. A detailed summary of my background is included as EXHIBIT DCB-1.

Introduction

The purpose of this statement is to demonstrate that, due to the robust nature of retail competition in the Anchorage market, elimination of the unbundling requirements under § 251(c)(3) of the Communications Act of 1934, as amended (the "Act") and the related UNE pricing requirements of § 252(d)(1) of the Act for ACS of Anchorage, Inc. ("ACS") will not cause any slippage or reversal in the competitive evolution of the Anchorage local exchange and exchange access market. In fact, it is likely that the elimination of these requirements along the lines requested by ACS will stimulate greater facilities-based competition in Anchorage. These conclusions are based on the following:

1. Retail prices and service offerings in Anchorage demonstrate that competition is fully developed.
2. ACS no longer serves the majority of retail wireline local exchange customers in Anchorage. GCI serves more retail local exchange customers in Anchorage than ACS, and more than CLECs in almost any comparable market in the United States.
3. ACS's market share is even smaller when intermodal competition is considered. The level of intermodal competition (wireless, VoIP) has developed more quickly and at levels not anticipated when the UNE rules were established.
4. Changes to the UNE loop price to a market-based level will not hinder the development of facilities-based competition, but rather will cause competitors to accelerate the deployment of their own facilities.

1. Retail prices and service offerings in Anchorage demonstrate that competition is fully developed.

There is sufficient competition in the Anchorage market to ensure that ACS's market power is negligible, resulting in rates and practices that are just, reasonable and non-discriminatory. Thus, consumers will be protected. There is substantial retail competition in the Anchorage market, both intramodal and intermodal, and a strong facilities-based competitor.

The highly competitive rates for local exchange service available in Anchorage provides evidence of the mature nature of competition in Anchorage. Unlike many other successful CLECs, GCI has captured a significant portion of the residential market. GCI's retail pricing behavior in the residential market says much about its cost of provisioning telephone service over its own facilities, as well as the company's overall cost structure.

According to GCI's website, GCI offers basic residential dial-tone service in Anchorage for $9.40 per month.[1] ACS offers such service for $12.05 per month. GCI offers local exchange service at this lower rate even though its UNE loop cost is $18.64 per loop per month. GCI did not raise its rates when ACS increased its residential rates by 24% from $9.70 in 2001 or when the UNE-L rate was increased from $14.92 to the current $18.64 in August of 2004. Assuming that GCI is not pricing its local service below incremental cost, these facts lead to the conclusion that, as GCI migrates customers to its own facilities, GCI's cost of providing service has remained relatively low. Thus, as GCI has shifted its customers off of UNE -L and on to its own cable telephony platform, the difference in cost has not required GCI to raise retail rates. Therefore, even without the ability to lease UNE loops, GCI's retail rates would remain competitive. GCI's maintenance of low retail rates, as it shifts a greater portion of its customers

[1] All local service rates exclude subscriber line charges.

to its own facilities, is compelling evidence that GCI does not need regulated UNE rates to enable facilities-based competition.

Further, the aggressive advertising campaigns and extensive bundled service package offerings by both GCI and ACS demonstrate that the local exchange market is highly competitive. Companies in markets that do not have substantial competition typically do not dedicate significant resources towards this type of advertising and marketing.

GCI and ACS offer bundled services that include local exchange service in order to compete in the local exchange market. GCI sells "The Essentials" bundle of services (65 cable TV channels, 150 minutes of LD calling, local phone service w/caller ID, high speed cable modem internet, and 350 wireless minutes) for $69.99 a month or for $60.59 per month without local phone service. ACS offers a bundled high speed internet service package in addition to its local phone service called High-Speed DSL Pack. The High-Speed DSL Pack plus local service sells for $61.05 ($12.05 for local service plus $49 for the DSL Pack) and includes 100 minutes of LD calling, local phone service with caller ID and 10 other custom calling features, high speed DSL internet service (320 kbps), and voice mail.

GCI also offers "The Ultimate Package" bundle of services which includes 135 cable TV channels, high speed cable modem internet (1 Mbps speeds), local phone service w/voice mail and other custom calling features, and 150 minutes of LD calling for $79.99 a month. By comparison, ACS offers 120 DISH satellite TV channels, DSL High Speed internet at 320 kbps (add $20 to increase speed up to 1 Mbps), local phone service with caller ID and 10 other custom calling features, voice mail, and 100 minutes of LD calling for $104.04 a month ($12.05 for local service, $49 for 320 kbps High Speed DSL Pack, plus $42.99 for DISH satellite

TV - America's Top 120). (*See* GCI's print advertisements and ACS's on-line advertisements attached as EXHIBIT DCB-2.)

Further, there are a plethora of advertisements on television and in print in Anchorage in which GCI directly compares the price and quality of its service offerings to those of ACS.[2] Today, more customers are seeking to purchase all of their communications services (local voice, high speed internet, wireless, cable TV, and long distance) from a single provider. Thus, a competitor that can claim to offer a superior product for just one of the five products such as faster internet speeds, unlimited wireless minutes, or more cable TV channels, has a good opportunity to persuade the customer to purchase all of their communications services (including local service) from the competitor. GCI has capitalized on consumers' desire to purchase bundles of services in its ads attacking many of ACS's product lines. This includes GCI's "3 out of 4 Alaskans choose GCI Cable Modem over the other guys' DSL" campaign (high speed internet reliability and speed); GCI's "Our speeds start where theirs end" campaign (high speed internet), GCI's "Limitless unlimited cellular" campaign (lower priced unlimited cellular calling, GCI's "in the service part, GCI beats them by a mile" campaign (superior cellular customer service); and GCI's "We've added 3 more channels, They've added 3 more bucks!" campaign (comparing GCI's Ultimate package bundle of services which is less expensive than ACS's bundle of services).[3] In these advertisements, GCI boasts of superior quality internet speeds over cable modems relative to ACS's DSL lines; superior customer service for wireless phone users; and drastically lower prices for bundled service offerings.

Competition between ACS and GCI in Anchorage illustrates the fierce competition posed by cable providers in the local exchange market. In an article discussing the

[2] Cable TV in Anchorage is provided by GCI.
[3] See Exhibit DCB-2 for copies of GCI's print ads.

effectiveness of cable TV companies such as GCI providing competing local voice telecommunications services using cable TV facilities, industry analyst, Scott Cleland, stated that:

> "The threat [to the phone companies] from cable is not theoretical," says Scott Cleland, CEO of Precursor, a research firm that serves institutional investors. "It is real, and it is devastating." He notes that in Orange County, California, and Omaha, Cox [Cable] has a 40 percent market share for voice.[4]

The Wall Street Journal noted that cable TV companies are quickly becoming the dominant provider of local telecommunications services in the markets they serve.

> In Omaha, Neb., cable giant Cox Communications Inc. has toppled the regional Bell and become the area's largest phone company. Over in New York, Cablevision Systems Corp. has signed up 115,000 phone customers.[5]

Unlike some local services offered by other cable companies, GCI's cable telephony *DLPS (Digital Local Phone Service) is direct CLEC competition* to ACS's local exchange service because GCI's service is a switch-based service and does not employ VoIP technology. Competition in Anchorage has been just as "devastating" as in these larger markets. Retail customers enjoy vigorous price competition and aggressive marketing of telecommunications bundles, and demand, not regulation, clearly drives retail pricing in Anchorage.

2. ACS no longer serves the majority of retail wireline customers in Anchorage. GCI serves more retail customers in Anchorage than ACS, and more than CLECs in almost any comparable market in the United States.

In less than eight years, ACS, once the sole provider of 100% of local wireline telecommunications in Anchorage, has lost over half of its retail customers to CLECs. In fact,

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[4] See Pethokoukis, James. "War of the Wires." U.S. News & World Report. Sept. 27, 2004. <http://www.usnews.com/usnews/issue/040927/tech/27cable.htm>.
[5] See Latour, Almar. "Free for All." The Wall Street Journal. September 13, 2004. p. R1.

GCI, ACS's largest competitor, now serves more retail customers in Anchorage than ACS where GCI has a 49% retail market share and ACS has a 48% market share in Anchorage.[6] This large loss of market share is indicative of the willingness of customers in Anchorage to switch local exchange carriers.

In 1997, GCI, the long-established long distance and monopoly provider of cable TV service in Anchorage and much of Alaska,[7] entered the local telecommunications market in Anchorage. In the eight years since, they have captured one half of the local retail market and now serve more retail lines than the incumbent local exchange carrier, ACS. Table 1 below shows the relative market share of the wireline service providers as of June 2005.

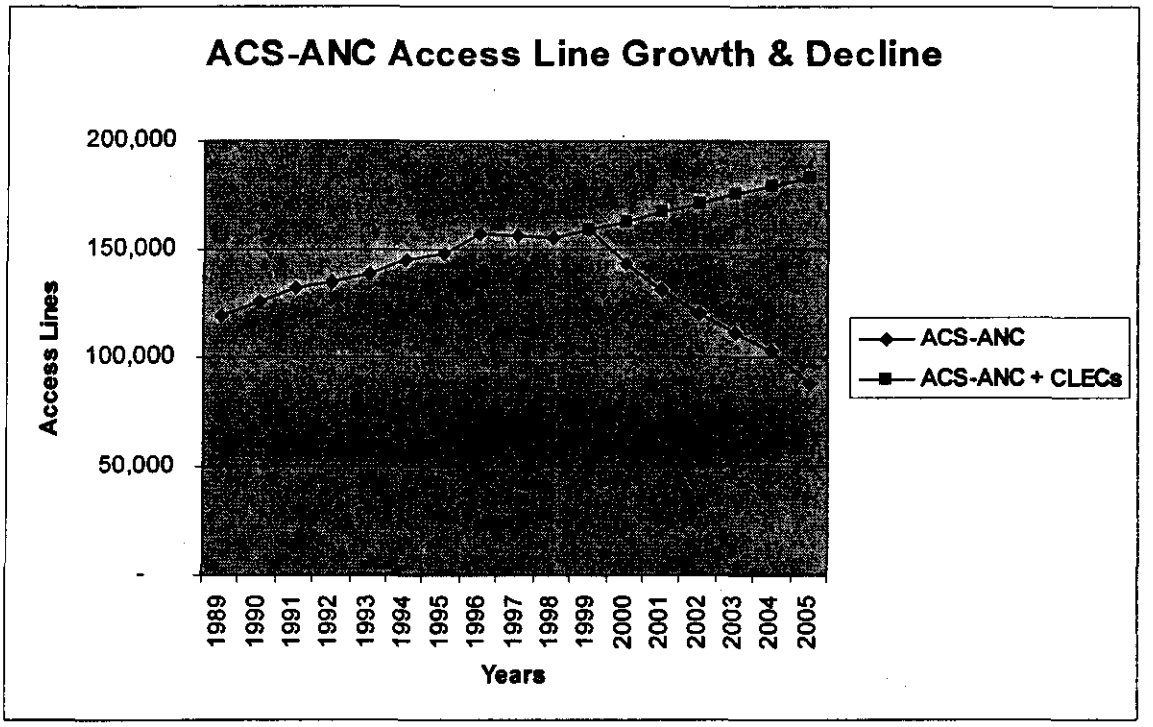
Table 1
Anchorage Market Share as of June 2005

	Retail Lines	% Share
ACS-ANC	88,000	48%
GCI	89,000	49%
AT&T	5,000	3%
TelAlaska	0	0%[8]
Total Anchorage	182,000	100%

From 1989 – 1996, ACS's retail access lines were growing at an average rate of 4.1% annually until GCI, AT&T, and other CLECs entered the local market. Since ACS's peak of 159,000 access lines in 1999, ACS has lost 43.4% of its retail access lines. The Company

[6] See ACS Market Share Data Analysis in Table 1.
[7] In 1996, GCI purchased three leading cable television companies in the state for $286 million. This transaction provided the company with a wired network passing 76 percent of the state's households, which has since increased to 90 percent. It allowed GCI to add video to its suite of services, as well as, access to a broadband distribution network for its planned delivery of integrated voice, video and data services. See GCI Company Overview at <http://www.gci.com/gci_communictions_company_overview_files/frame.htm p. 1.
[8] TelAlaska serves approximately 200 lines, or 1/10 of 1%.

today provides 88,000 retail access lines resulting in a market share loss of 51.7%! The chart below illustrates the severity of ACS's market share loss.



The competitive landscape in Anchorage is unique. In the rest of the country, CLECs have focused on competing in large cities where the population of the Metropolitan Statistical Area (MSA) is greater than 2 million. These metropolitan areas contain customer bases that are large and highly concentrated. Typically, this means that these areas are characterized by lower facility costs per customer than in smaller cities such as Anchorage. In addition, the rates in the large metropolitan areas have been used to generate the support required to maintain lower rates in rural areas. The inclusion of this implicit support in the urban rate structures has inflated the rate levels in these areas and has left them particularly vulnerable to even less efficient competitors.[9] However, despite the fact that the Anchorage MSA has a

[9] At the time the Act was passed this Commission recognized this problem and called for the elimination of implicit support in local rate structures. *See Implementation of the Local Competition Provisions in the Telecommunications*

population of only 260,283 and ranks as only the 140th largest MSA[10], ACS has seen literally twice as much CLEC competition as the largest cities in the United States and three to four times as much competition as cities its own size.

ACS's loss of 51.7% of its market share is typically twice as great as the market share losses experienced by the ILECs operating in New York, Los Angeles, Chicago, San Francisco, Dallas, Houston, or any other city where several CLECs compete and where one would expect to see the most intense competition and the largest market share losses. For example, in the Chicago LATA (3rd largest MSA), CLECs have captured 26% of the market[11] less than half of ACS-ANC's market share loss. By comparison, Illinois towns that are closer in size to Anchorage have seen competitive losses of only 12% - 18% or less than 1/3 that of Anchorage (*e.g.* - Peoria, population 347,000, market loss of 12%; Rockford, population 371,000, market loss of 18%; Springfield, population of 201,000 market loss of 16%).[12] In Texas, SBC competes with over 400 CLECs in Dallas and Houston (the 9th and 10th largest MSAs, respectively), yet has only lost 25% market share or one-half that of ACS.[13] In California, in SBC's study areas of Los Angeles and San Francisco (the 2nd and 5th largest MSAs, respectively), SBC has only lost 9.4% of its market share to CLECs, far less than the 51.7% that Anchorage has lost, yet enough for SBC to be declared competitive so that SBC can

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Act of 1996; Interconnection between Local Exchange Carriers and Commercial Mobile Radio Service Providers, First Report and Order, FCC 96-325, at ¶ 5 (1996).

[10] US Census Bureau; United States Census 2000; *Ranking Tables for Metropolitan Areas: Population in 2000 and Population Change from 1990 to 2000 (PHC-T-3)*; Table 3. Available at http://www.census.gov/population/www/cen2000/phc-t3.html. The population of the Anchorage study area is approximately 260,283.

[11] Annual Report on Telecommunications Markets in Illinois; Illinois Commerce Commission, May 26, 2004. p. 11.

[12] Ibid.

[13] Scope of Competition in Telecommunications Markets of Texas; Public Utility Commission of Texas, January 2005; p. 10.

enter the interLATA long distance market.[14] In Verizon's New York City Metropolitan Statistical Area, (1st largest MSA), CLECs have captured 27% of the market[15] (half of ACS's market share loss) while Verizon has lost 19% of its market share to CLECs in Washington, D.C.[16] Again, by comparison, smaller towns in the state of New York, such as Binghamton (population 252,000) have seen a market share loss of only 16% or approximately 1/3 that of ACS. Table 2, below, summarizes the market share loss for a few cities and highlights the fact that ACS has lost relatively high market share compared to many larger cities in the United States.

[14] The Status of Telecommunications Competition in California, Third Report for the Year 2003; California Public Utilities Commission; October 31, 2003; section 3.1. (9.4% is the weighted average of 6.0% loss in the residential market and 15.3% loss in the business market.)
[15] Competitive Analysis Report, Analysis of Local Exchange Service Competition in New York State as of December 31, 2002; Docket 03-C-1220; New York Public Service Commission; October 22, 2003. p. 4.
[16] See *Local Telephone Competition: Status as of June 30, 2004*; Industry Analysis and Technology Division, Wireline Competition Bureau, December 2004, released Dec, 22, 2004; Table 6.

Table 2			
MSA Rank	**City**	**Population**	**CLEC Market Share**
140	**Anchorage, AK**	**260,000**	**51%**
61	Omaha, NE[17]	717,000	40%
18[18]	Orange County, CA	2,629,000	40%
1	New York, NY	21,200,000	27%
3	Chicago, IL	9,158,000	26%
93	Lansing, MI	448,000	26%
9	Dallas, TX	5,222,000	25%
10	Houston, TX	4,670,000	25%
8	Detroit, MI	5,456,000	23%
4	Washington DC	7,608,000	19%
111	Rockford, IL	371,000	18%
143	Binghamton, NY	252,000	16%
168	Springfield, IL	201,000	16%
118	Peoria, IL	347,000	12%
2	Los Angeles, CA	16,374,000	9%
5	San Francisco, CA	7,039,000	9%

3. ACS's market share is even smaller when *intermodal competition* is considered. The level of intermodal competition (wireless, VoIP) has developed more quickly and at levels not anticipated when the UNE rules were established.

When analyzing ACS's market share of the local voice telecommunications market, it is necessary to first define the scope of facilities-based competition for local voice telecommunications. It has been increasingly recognized that local voice telephone competition is coming not just from Competitive Local Exchange Carriers (CLECs) but, especially in the

[17] See Pethokoukis, James. "War of the Wires." U.S. News & World Report. Sept. 27, 2004. <http://www.usnews.com/usnews/issue/040927/tech/27cable.htm>. While Cox Cable has captured approximately 40% market share in the Omaha (Qwest) and Orange County (SBC) local telephone markets, it should be acknowledged that those markets are three times and 11 times, respectively, larger than the Anchorage market making it much easier for a CLEC competitor to enter the market due to better economies of scale. Additionally, Qwest and SBC still have a majority of the local wireline market share in those two markets whereas ACS has less local wireline market share than its main CLEC competitor.

[18] This is an estimated MSA ranking based on population because Orange County is not identified as an MSA in the US Census Bureau's database.

case of the residential sector, from wireless and now, Voice over Internet Protocol (VoIP) providers.

Wireless companies now provide more local access "lines" or connections than incumbent LECs throughout the United States and in Anchorage. Per the FCC's annual report on the current state of local telephone competition,

> End-user customers obtained local telephone service by utilizing approximately 145.1 million incumbent local exchange carrier (ILEC) switched access lines, 32.9 million competitive local exchange carrier (CLEC) switched access lines, and **181.1 million mobile wireless telephone service subscriptions**. (Emphasis added.)[19]

Alaska is mirroring the national growth trends in cellular subscribership and usage. Based on data from Alaska Communications Systems Group, Inc. (ACS Group), which includes ACS Group subscribers and resellers, wireless subscribership in ACS Group's territory has increased from 63,890 in January 1999 to 107,301 in May 2005 representing a 68% increase in subscribers or an average annual growth rate of 8.4% per year over the past six years. Not only has the number of wireless subscribers grown rapidly in Alaska, but the wireless MOU usage per subscriber in Alaska has also dramatically increased. Again, based on ACS Group data for its subscribers and resellers, in 2003, MOUs per subscriber increased 31% from an average of 208 MOUs per subscriber in January to an average of 273 MOUs per subscriber in December.

Further, the Wall Street Journal recently reported on the explosive growth of internet telephony:

[19] See FCC Local Telephone Competition Report ("Local Telephone Competition: Status as of December 31, 2004") released July 8, 2005.

> According to Synergy Research Group Inc., Internet phones will account for about a third of the nearly 35 million business lines expected to be added this year, up from 18% last year and less than 4% in 2001.[20]

Industry analysts also note that e-mail and instant messaging are replacing the demand for local telecommunications services from local phone companies such as ACS.

> E-mail & Instant Messaging continue to be used as substitutes for voice communications. For example, among high-speed Internet users, instant messaging displaced 20% of local calls and email displaced 24% of such calls. Among dial-up Internet users, instant messaging displaced 18% of local calls, and email displaced 23% of local calls."[21]

In summary, the onslaught of competition for local telecommunications service from wireless providers and VOIP providers has virtually eliminated any need to price an ILEC's UNEs below market prices. As noted in the Wall Street Journal,

> "Over the past four years, the nation's largest phone companies have lost local phone lines by the millions as consumers fled to cell phones and e-mail. Many customers are giving up their second, and even their primary, phone lines. The intrusion by cable companies only made things worse, forcing the Bells to expand into other areas that promise more growth, such as wireless, high-speed Internet and television."[22]

The substitution of wireless phones and VoIP lines for wireline connections has added another dimension to the analysis. Given the loss of access minutes and revenues over the past six years and the increase in wireless and VoIP connections, there is no question that customers are substituting VoIP and CMRS service for ACS local exchange and access service in escalating numbers. I estimate that there are at least 138,000 wireless subscribers in Anchorage.[23] When these subscribers are added to the wireline retail access lines, the market share of wireline providers in Anchorage, including ACS is significantly diluted.

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[20] See Totty, Michael. "Is Now the Time For Net Calling." The Wall Street Journal. September 13, 2004. p. R6.
[21] See J.D. Power & Associates. "2003 Residential Internet Service Provider Study (August 2003.
[22] See Latour, Almar. "Free for All." The Wall Street Journal. September 13, 2004. p. R1.
[23] Neither the CTIA nor the FCC tracks wireless subscribers by MSA, requiring that the number of wireless subscribers in the Anchorage, AK MSA be estimated. The number of wireless customers in the Anchorage MSA

4. Changes to the UNE loop price to a market-based level will not hinder the development of facilities-based competition, but rather will cause competitors to accelerate the deployment of their own facilities.

An analysis of the current facilities mix of CLEC retail customers in Anchorage and an examination of how that mix has changed over time illustrates that an increase in UNE loop rates in Anchorage provides the competitor with the incentive to accelerate the deployment of its own facilities. GCI serves its retail customers using a combination of its own facilities, UNE loops, and resale. With the exception of its resale customers, GCI provides its own switching to all of its retail customers through its Lucent Technologies 5ESS host and seven remote switches in Anchorage.[24] As Table 3 below illustrates, GCI currently serves 36% of its retail lines using its own facilities[25] and 58% using UNE loops leased from ACS. GCI states in its earnings call for the second quarter of 2005, that as of June 30, 2005 it had approximately 12,800 DLPS lines in service and plans to have 25,000 DLPS lines deployed by December 31, 2005. Where GCI does not have cable plant, it may use wireless technologies or resale of another carrier's services. Most importantly, GCI's 10-Q informs investors that:

> We may lease portions of an existing carrier's network or seek wholesale discounts, but **our application is not dependent upon access to either unbundled network elements of the ILEC's network or wholesale discount rates for resale of ILEC services.** (Emphasis added.)[26]

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was estimated using ACS Group and FCC Data as follows: 188,305 wireline customers in Anchorage, AK in June 2004 (ACS market analysis data) divided by 419,304 statewide Alaskan wireline subscribers in June 2004 (FCC's 2004 Local Telephone Trends Report released December 2005, Table 6) times 307,323 statewide Alaskan wireless subscribers (FCC's 2004 Local Telephone Trends Report, Table 13). Since this estimate evenly allocates wireless subscribers to all wirelines across the state, it is likely that the number underestimates the actual number of wireless subscribers in Anchorage since there is likely a greater concentration of wireless customers in Anchorage than in rural areas of Alaska.

[24] GCI Communications' 10-Q for the quarterly period ended March 31, 2005, filed May 10, 2005, 32 – 33.

[25] GCI's "own facilities" may include some ACS loops which GCI splits into multiple lines using its own equipment. All of the ACS loops are included in the ACS UNE line count. But ACS cannot determine the extent to which some GCI's lines on its "own facilities" includes those multiplexed off of ACS loops using GCI equipment.

[26] *Id.*

Clearly, GCI, ACS's largest CLEC competitor in Anchorage will be largely indifferent and unaffected by any changes to the price of ACS's UNE loop rate and plans to continue to migrate customers off of the ACS network.

In the past year, GCI has increased the number of lines served using its own facilities by 50% in Anchorage. Table 3 below shows GCI's current mix of owned and leased facilities in Anchorage.

Table 3
Distribution of GCI's Retail Customers

	January 2004		June 2005		Change	
	Lines	%	Lines	%	Lines	%
GCI Facilities	19,000	21.6%	32,000	36.0%	13,000	68%
UNE Loops	62,000	70.5%	51,000	57.3%	(11,000)	-18%
Resale	7,000	8.0%	6,000	6.7%	(1,000)	-14%
Total	88,000		89,000		1,000	1%

In 2004, GCI launched its DLPS service whereby service is delivered over its coaxial cable facilities.[27] In the year that followed the introduction of DLPS facilities, GCI went from serving 22% of its customers using its own facilities to 36% -- an increase of 70%. While market share percentages between ACS and GCI have been stable over this period, GCI has been rapidly moving lines from UNE loops and resale to its own facilities.

As proof of the success of this strategy, I would note that GCI hastened its own facilities deployment by launching its DLPS technology in April of 2004, just two months before the RCA increased the loop rate that ACS could charge GCI from $14.92 to $19.15.[28] In a subsequent order issued in August of 2004, the RCA reduced the rate to $18.64.[29] Thus, the rate

[27] *Id.*
[28] *Ibid* 23. It should also be noted that the original UNE loop rate for Anchorage was $13.85. Even when this rate was increased to $14.92 GCI continued to deploy its own loop facilities.
[29] *Ibid.*

that GCI was mandated to pay ACS for UNE loop increased by 25% and GCI increased the percentage of its lines served by its own facilities by over 50%. This result indicates that should ACS be allowed to charge GCI a market-based rate that is higher than the current mandated rate for UNE loops, it will not slow down GCI's deployment of its own facilities.

One of GCI's own executives provided an early indication of GCI's reaction to an increase in the UNE loop rate in Anchorage. Dana Tindall, Senior Vice President of Legal, Regulatory and Government Affairs, when testifying in the Anchorage arbitration proceeding in November 2003, stated that if the RCA allowed the UNE loop rate to increase from its (then) current value of $14.92 GCI would increase the pace of its facilities deployment.[30]

Conclusion

ACS no longer serves the majority of retail wireline local exchange customers in Anchorage. GCI serves more retail local exchange customers in Anchorage than ACS, and a greater percentage of market share than CLECs in any market in the United States, large or small. ACS's market share is even smaller when intermodal competition is considered. Intermodal competition (wireless, VoIP) has developed more quickly and robustly than anticipated when the UNE TELRIC pricing rules were established and further reduces the need for UNEs at TELRIC-level prices. The intense competition in Anchorage as evidenced by the aggressive retail prices and service offerings of ACS and GCI further demonstrates that competition is fully developed and that TELRIC-based UNE pricing is no longer needed.

Moving the UNE loop price to a market-based level will not hinder the development of facilities-based competition but rather, will cause competitors to accelerate the

[30] *In the Matter of the Petition by GCI for Arbitration Under Section 252 of the Act with ATU for the Purpose of Instituting Local Competition*, Prefiled Rebuttal Testimony of Dana Tindall on behalf of GCI, RCA Docket No. U-96-89, at 3 (filed with the RCA Sept. 29, 2003).

deployment of their own facilities. Inasmuch as GCI has made good on its promise to hasten the pace of its facilities deployment and GCI's stated intentions to continue to migrate customers to its own facilities, it is clear that allowing ACS to move its UNE loop prices to a market-based rate will provide GCI and other CLECs with an incentive to continue to deploy their own facilities and bring true facilities-based competition to Alaska.

Respectfully submitted,

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Exhibit DCB-1

David C. Blessing
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Professional Experience

Parrish, Blessing & Associates, Inc. - Economic Consultants, Ft. Washington, MD

Principal (February 1993 to Present)

Klick, Kent & Allen, Inc., Alexandria Va.

Consultant (June 1991 to February 1993)

Rochester Telephone Corporation, Rochester New York

Senior Economist (January 1988 to June 1991)

Nazareth College of Rochester, Rochester, New York

Assistant Professor - Department of Business (1986 to 1988)

Control Data Corporation, Minneapolis, Minnesota

Credit Analyst (1980 to 1982)

Education

M.A. Economics, Fordham University, New York, New York
B.A. Liberal Arts, Kalamazoo College, Kalamazoo, Michigan
Completed all requirements towards Ph.D. in Economics except dissertation at Fordham University.

Selected Testimony and Proceedings

Before the Regulatory Commission of Alaska:

In the Matter of the Investigation of the Local Exchange Revenue Requirement, Depreciation, Cost of Service and Rate Design Studies Filed by ACS of Anchorage, Inc. d/b/a Alaska Communications Systems, ACS Local Service and ACS, Case U-01-34. August 2001.

In the Matter of the Investigation of the Local Exchange Revenue Requirement, Depreciation, Cost of Service and Rate Design Studies Filed by ACS of Fairbanks, Inc. d/b/a Alaska Communications Systems, ACS Local Service and ACS, Case U-01-83. Expert Testimony on the Appropriate Cost of Capital, August 2001.

In the Matter of the Investigation of the Local Exchange Revenue Requirement, Depreciation, Cost of Service and Rate Design Studies Filed by ACS of Alaska, Inc. d/b/a Alaska Communications Systems, ACS Local Service and ACS, Case U-01-85. Testimony on the Appropriate Cost of Capital, August 2001.

In the Matter of the Investigation of the Local Exchange Revenue Requirement, Depreciation, Cost of Service and Rate Design Studies Filed by ACS of the Northland, Inc. d/b/a Alaska Communications Systems, ACS Local Service and ACS, Case U-01-87. August 2001.

In the Matter of the Petition by GCI Communications Corp. d/b/a General Communication, Inc., and d/b/a GCI for Arbitration under Section 252 of the Telecommunications Act of 1996 with the Municipality of Anchorage d/b/a Anchorage Telephone Utility a/k/a ATU Telecommunications for the Purpose of Instituting Local Exchange Competition. Case U-96-89. Expert Testimony, February 2002 and August 2003. Final Hearing: November 2003

In the Matter of the Petition by GCI Communications Corp. d/b/a General Communication, Inc., and d/b/a GCI for Termination of Rural Exemption and Arbitration withPTI Communications of Alaska Inc, under 47 U.S.C..§§ 251 and 252 fo the Purpose of Instituting Local Exchange Competition. Case U-97-82. Expert Testimony, March 2004.

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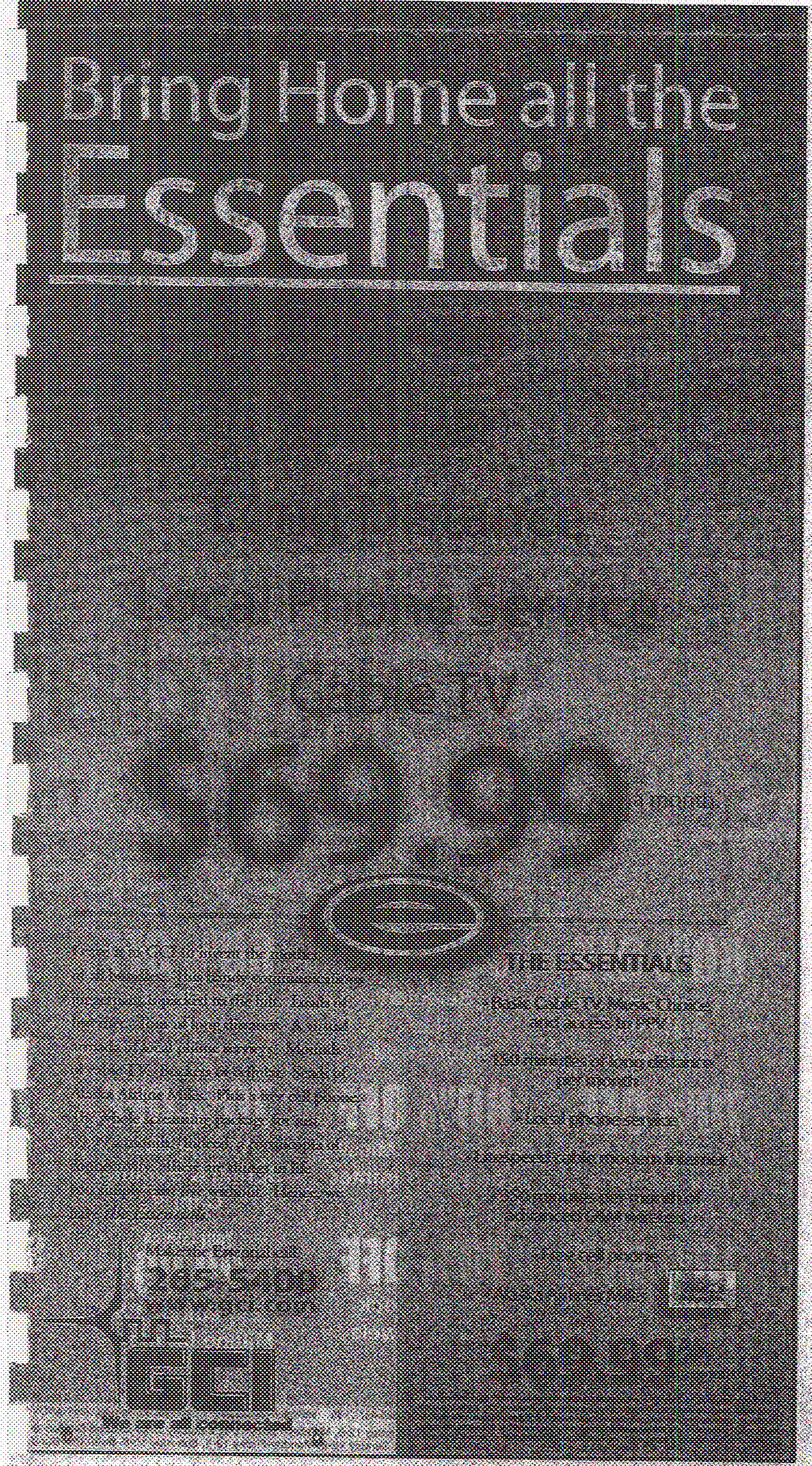
Exhibit DCB-2



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